CHAPTER I
INTRODUCTION

The essence of the modern marketing concept is that all elements of business should be geared towards the satisfaction of consumer. This requires a thorough understanding of consumer and his purchasing motivations. Without such insights, marketers will fail to segment markets effectively and design strategies for an effective penetration into the defined market segments. The adoption of the consumer focus is in fact the real difference between the traditional concept of selling and the modern concept of marketing. Thus, consumer is sovereign in the present day marketing system. The decision of the consumer makes and unmakes the marketers. Whoever wins the confidence of the consumer wins the day; and whoever loses it, is lost. All the activities in the marketing are centred around consumer only. In fact, marketing starts with the consumer and ends with the consumer. The consumer is the fulcrum or the pivot upon which the business moves.

Top management must achieve the integration of all compartments of marketing strategy (or the four ps-product, price, place or physical distribution and promotion) into a single strategic plan based upon the knowledge of consumer actions and reactions. It is necessary to dissect consumer needs, preferences, and other related elements into separate compartments, isolate them and then make use of them, by satisfying them. In short, the goal of a marketer should be to reach as many number of consumers as possible and satisfy them. This goal can be achieved easily, if the marketer understands the behaviour of the consumer at the right time and in the right sense. Thus, consumer behaviour is one of the areas in the marketing where manufacturers, middlemen and other marketing agencies should concentrate and should be conscious and cautious.
THE CONCEPT OF CONSUMER

The concept of consumer has been widely used in the literature of various disciplines like economics, business economics (particularly marketing) and home economics. Writers in different fields have defined the term consumer in accordance with their problem on hand.

In general, the concept 'consumer' means a buyer who uses some product or service. Therefore, Richert states that 'consumer' is one who buys a commodity for use rather than for re-sale. McCarthy holds the view that the term 'consumer' usually means the individual citizen or his family in his capacity as a buyer.

Stanton opines that the ultimate consumers buy and/or use products or services for their own personal or household use. They are satisfying strictly non-business wants and they constitute what is called the consumer market.

Pensen looks at the consumer from the angle of his income and declares that "in the using of that income for the satisfaction of his wants, he is a consumer". This eventually means that a person who spends his income or buying goods in order to satisfy his wants is called a consumer.

Sometimes, the terms 'consumer' and 'customer' are used interchangeably. But the term 'customer' is typically used to refer to someone who buys from a particular store or company, whereas the term 'consumer' more generally refers to any one engaging in any of the activities of evaluating, acquiring, using or disposing of goods or services.
A careful examination of all these definitions and views suggest one central point that a 'consumer' is essentially a buyer of a certain product or service as well as user of that product or service.

THE CONCEPT OF BEHAVIOUR

'Behaviour' is what a person does. It can be defined as the observable and measurable activity of human beings. Human behaviour is orderly, not arbitrary; systematic not random. Human behaviour is caused by motives or needs. Human behaviour is a part of naturalistic system. It is not perfectly predictable8.

Behaviour is basically goal oriented. In other words our behaviour is generally motivated by a desire to attain a goal9. Behaviour includes anything a person or animal does that can be observed in some way. Behaviour, unlike mind or thoughts or feelings can be observed, recorded and studied10.

THE CONCEPT OF CONSUMER BEHAVIOUR

Consumer behaviour is simply a sub section of the larger field of human behaviour. Consumer behaviour finds its bases in bio-psycho-sociological factors. That is, biological drives such as need for food, water, sleep and warmth have influence upon consumers. Psychological motives like social approval, self esteem, security, status and knowledge also have strong influence on consumers. Besides these, consumers have to respond to sociological forces like family, reference group, social class, and culture. Hence, consumer behaviour can be explained in terms of potential influences of psychological, sociological and environmental factors, as well as biological and physiological phenomena.
Consumer behaviour is impulsive. It is neither emotional nor rational, but both. It is caused or affected by learning and communication. Consumer behaviour is viewed as a process of problem solving. This consumer's problem solving behaviour is subject to group influence and occurs under strong motivational circumstances. Mind gets expression through body. Thus, consumer behaviour relates to the inner man, i.e., covert behaviour.

As per William L. Wilkie, consumer behaviour is "The activities that people engage in when selecting, purchasing, and using products and services so as to satisfy the needs and desires. Such activities involve mental and emotional process, in addition to physical actions. Schiffman and Kanuk state "Consumer behaviour is the behaviour that consumers display in searching for, purchasing, using and evaluating products, services and ideas which they expect will satisfy their needs." Here, Schiffman and Kanuk have used 'evaluation' in the context of re-purchase. If it is first purchase, consumer's mind will first evaluate and finally adopt or reject the product. Thus, consumer behaviour involves all the acts of individuals that involve buying and using products, including the decision process that precede and determine these acts. Although, the factors that precede and determine consumer behaviour are a combination of external and internal influences which interact constantly, it is helpful to analyse them as separate elements.

The study of consumer behaviour is the attempt to understand and predict human actions in buying process. Consumer behaviour encompasses a vast area including consumer motivation, preferences, purchasing patterns, buying process, shopping behaviour etc. Thus, the study of consumer behaviour concentrates to answer the question, "why, when, where, what and how do the consumers buy."
STATEMENT OF THE PROBLEM

The speed of human mind is fast because it has multi-dimensional perception. This multi-dimensional perception makes human behaviour multi-motivated. His likes and dislikes change in no time. He is extremely happy to buy a product at one moment, but at the another moment he may suffer from cognitive dissonance. Thus, the human behaviour is unpredictable and because of it the researchers begin to get into difficulties, which are bothersome and make the behaviour of consumer myopic. As the human behaviour is so enormously varied, so delicately complex and so obscurely motivated, the study of consumer behaviour becomes so complicated and more difficult. Further, consumer behaviour also changes over a period of time, because of the change in income, occupation, residence, education, age and so forth.

Unless the consumer behaviour is thoroughly understood from time to time, it would not be possible for the marketers to design an appropriate marketing mix to appeal and influence the varied segmented consumers. Thus, the study of consumer behaviour becomes imminent for the marketers to withstand the onslaughts from the competitors and survive in the market. The cumulative result of all these elements is that the study of consumer behaviour emerges as one of the major challenges to the present day marketers.
NEED FOR THE PRESENT STUDY

The consumer motives, perceptions, preferences, patterns of purchasing and influences differ from product to product. So the marketers in each type of industry have to study the consumer behaviour according to their problems on hand. The need for understanding the consumer behaviour in dairy products, which are very essential for the survival of human beings, is therefore important to the decision makers, be they the marketers or intellectuals interested in scientific research. The rapid development of Indian dairy industry, especially after the 1991 economic liberalisation measures, forced the marketers to conduct more research studies on the consumer behaviour. But, in reality, from the research viewpoint, consumer behaviour in dairy products is an area which is quite new and relatively unexplored. Though this industry has developed adequately in India and many brands of different dairy products are being marketed, the specific studies on consumer behaviour in dairy products have received little attention on the part of the researchers. Since the inception of the National Sample Survey Organisation (NSSO) in 1950, some studies relating to consumption behaviour have appeared using the NSS data. There are some studies in this regard made by Bose (1960); Ganguli (1960); Rudra and Roy (1960); Sinha (1966); Jones (1971); Mehta and Gupta (1976); National Council of Applied Economic Research (1967 and 1970) and the National Commission on Agriculture (1976). Most of these studies, however, have mainly been directed at estimating expenditure and income elasticities of certain dairy products, and the qualitative aspect of consumer behaviour has been almost ignored. Also most of these studies have been confined to broad commodity groups and little
attention has been paid towards studying consumer motives, preferences, selections and consumption patterns with respect to dairy products. Further, there is hardly any specific study in recent years in Madras city on the consumer behaviour in relation to dairy products. Hence, a modest attempt is made in the present study in this direction.

OBJECTIVES OF THE STUDY

The specific objectives of the study are:

i. To study the consumer motivation for purchasing dairy products.

ii. To examine the consumer purchasing preferences and patterns.

iii. To identify the influencing factors on the consumer brand and store selections in dairy products; and

iv. To understand the impact (role) of family and peer groups on consumer in relation to the purchasing of dairy products.

SIGNIFICANCE OF CHOOSING DAIRY PRODUCTS AND MADRAS CITY FOR THE STUDY

There was a time, when India was supposed to be the land of milk and honey. Somewhere down the line, milk, in the land of milk and honey, witnessed a shift in the distribution paradigm. The local village milk-man gave way to
government owned co-operatives and recently to the private owned industries. Consequently, availability of milk and dairy products increased - at least in the metros. India's recent (1991) economic liberalisation policy leads to the unrestricted entry of multinational companies (MNCs) as well as domestic private sector units into the dairy industry. This phenomena leads to the increase of both quantitative and qualitative aspects of the supply of dairy products.

Nutritional value of dairy products and great potentialities of supply of dairy products underscore the importance of dairy products in the Indian market. The demand for dairy products is on the rise. The Indian middle class is growing and its purchasing power is also going up. Current trends indicate that by the year 2000 A.D., 44% of the total Indian population will be urban. This will naturally lead to an increase in the consumption of dairy products. It is interesting to note that both the sides of market, i.e., demand and supply are growing for the dairy products. All these made the dairy industry as a highly competitive one. So, naturally to face the competition, the marketers in this industry have to undertake intensive studies on consumer actions and reactions to their products. Thus, it is deemed fit to select the dairy products for the present study.

Madras, being a modern metropolitan city with varied income groups, cultures and with high literacy rate, its residents are expected to be ideal respondents for an in-depth study of the type it is proposed to be undertaken here. Further, proximity and convenience to the researcher are also caused to choose Madras city for the study.
INDIAN DAIRY PRODUCTS

In Biblical times, the ideal home was in a "land flowing in milk and honey". Today also a common expression used in reference to nutrition is that "milk is the most nearly perfect food".

Milk is defined to be the lacteal secretion, practically free from colostrum, obtained by the complete milking of one or more healthy cows. In general, milk is the secretion of the mammary glands of animals that suckle their young.

Dairy products refer to those milk products originated from whole milk. The Prevention of Food Adulteration (PFA) Rules, 1955 (as amended up to Jan 15, 1991), define milk (dairy) products as "The products obtained from milk such as cream, malai, curd, skimmed milk, curd, chhana, cheese, processed cheese, ice cream, milk ice, condensed skimmed milk, infant milk food, milk powder, khoa, ghee, table butter and desi butter".

The importance of milk and milk products in this country has been recognised since Vedic times (five thousand years ago) and the variety of ways in which milk is used for the preparation of indigenous products has developed more or less as an art. Only recently have these methods been studied on scientific lines.

Until the year 1940, there was very little published information on the method of preparation and use of dairy products in India. The credit for the first publication on subject goes to Dr. W.L. Davies, the first Director of Dairy Research Institute, Bangalore. Within a span of five and a half decades since Davies book appeared, considerable research has been conducted at the National Dairy Research Institute and other places.
The following are the dairy products consumed in India:

a. Concentrated whole milk products
   
i. Kheer/Basundi
   
ii. Khoa/Mawa
   
iii. Rabri
   
iv. Kulfi
   
v. Ice-Cream

b. Coagulated dairy products
   
i. Dahi
   
   ii. Srikhand
   
   iii. Paneer
   
   iv. Chhana
   
   v. Cheese

c. Products of the clarified butter fat Industry
   
i. Makkhan
   
   ii. Ghee
   
   iii. Lassi

Indian dairy industry is rapidly developing. The development can be observed from the following tables.
TABLE 1-1

PRODUCTION OF VARIOUS DAIRY PRODUCTS IN INDIA (THOUSAND METRIC TONNES)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>209</td>
</tr>
<tr>
<td>1990</td>
<td>204</td>
</tr>
<tr>
<td>1991</td>
<td>201.6</td>
</tr>
<tr>
<td>1992</td>
<td>219</td>
</tr>
<tr>
<td>1993</td>
<td>229.6</td>
</tr>
<tr>
<td>1994</td>
<td>259.8</td>
</tr>
<tr>
<td>1995</td>
<td>270</td>
</tr>
</tbody>
</table>

(Source: Government of India, Ministry of Food Processing Industries).

PLAN PERIODS - DAIRYING

A considerable amount was expended on dairying in India during different Plan periods.

TABLE 1-2

EXPENDITURE ON DAIRYING

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Expenditure on dairying (Rs.Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Plan (1951-56)</td>
<td>77.8</td>
</tr>
<tr>
<td>II Plan (1956-61)</td>
<td>120.5</td>
</tr>
<tr>
<td>III Plan (1961-66)</td>
<td>336.0</td>
</tr>
<tr>
<td>IV Plan (1969-74)</td>
<td>787.5</td>
</tr>
<tr>
<td>V Plan (1974-78)</td>
<td>540.3</td>
</tr>
<tr>
<td>Annual Plans (1978-80)</td>
<td>1,157.9</td>
</tr>
<tr>
<td>VI Plan (1980-85)</td>
<td>4,362.9</td>
</tr>
<tr>
<td>VII Plan (1986-90)</td>
<td>6,034.1</td>
</tr>
<tr>
<td>VIII Plan (1990-95)</td>
<td>13,367.0</td>
</tr>
</tbody>
</table>

The value of dairy outputs also increased many folds.

**TABLE 1.3**

**VALUE OF OUTPUT OF DAIRY PRODUCTS**

<table>
<thead>
<tr>
<th>Years</th>
<th>Output (Rs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>6,500</td>
</tr>
<tr>
<td>1980</td>
<td>68,840</td>
</tr>
<tr>
<td>1985</td>
<td>1,47,670</td>
</tr>
<tr>
<td>1990</td>
<td>2,60,000</td>
</tr>
<tr>
<td>1995</td>
<td>4,75,000</td>
</tr>
<tr>
<td>2000 (Projected)</td>
<td>8,50,000</td>
</tr>
</tbody>
</table>


All the above data clearly show that the Indian dairy industry is rapidly developing in quantum as well as in quality wise.

**SCOPE AND LIMITATIONS OF THE STUDY**

The present study has been aimed to study the consumer behaviour in four dairy products, namely, pure ghee, butter, processed cheese and ice-cream. These products are chosen to get varied information from the respondents, as the pure ghee and butter are traditional and popular, the processed cheese is modern and consumed rarely and the ice-cream, though more popular among women and children, consumed irregularly.
The consumer unit is taken to be a family or household. The study has been conducted on the assumption that consumer behaviour with respect to food products in general and the dairy products in particular mostly depend up on two variables, viz., income of the family and the age of the family members. William J. Stanton also opined, "Consumer behaviour also changes over a period of time because of the change in income and change in life cycle stage (age) and other factors\(^\text{19}\). The same opinion was expressed by Philip Kotler and Gary Armstrong also\(^\text{20}\). So the aggregate income of the whole family and the age of the family head are the two variables considered for the study purpose.

We made a sample survey making the Madras city as the empirical base. Limitations of time and resources accounted for the geographical concentration to a single city. This incidentally provides for a control with respect to:

a. the inequalities in the income, age and educational background of the respondents,

b. the inequalities in the consumers' awareness and exposure to the different dairy products and their promotional strategies,

c. the availability of different brands and outlets,

d. regional and cultural differences in natural and geographical endowments.
It has been realised by social scientists and also emphasised by Indian Council of Social Science Research (ICSSR), that the formulation reached through macro-level studies are not very meaningful from the point of view of policy decision, because such studies lead to sweeping aggregative generalisations (Gupta, 1979). Therefore, specific area based studies are expected to give more meaningful and significant information.

VALIDITY OF THE STUDY

Any study based on a consumer survey through a predesigned questionnaire suffers from the basic limitation of the possibility of difference between what is recorded and what is truth, no matter how carefully the questionnaire has been designed and field study has been conducted. This is because the consumers may not deliberately report their true preferences and, even if they want to do so, there are bound to be differences owing to well-known problems of filters in communication process. A care was taken to minimise this error by conducting interviews personally and spending a lot of time on establishing rapport with the respondents, yet there is no fool-proof way of obviating the possibility of an error creeping in some places in the study.

This study relates to the Madras city. Therefore, although there is a possibility of applicability of the conclusions of study for other areas, no such regional applicability beyond the consumers of Madras city is claimed.
METHODOLOGY

The Sample

The present study has been organised on a sample of 500 households or families. It is thus both a residential and consumption unit which is considered as one respondent. It excludes institutions like students' hostels, residential hostels, hospitals and prisons from the purview of our study.

However, in the present study the terms, 'household' and 'family' are being used interchangeably.

To choose 500 respondents, first the area was restricted to the limits of corporation of Madras city. Then a multi stage random sampling has been adopted. To give equal representation to entire Madras, all the 10 zones of corporation were considered. Out of the total 155 divisions [wards] in 10 zones, 100 divisions were selected on random sampling and then from each of 100 divisions, 5 respondents (households or families) were picked up on random sampling.

The Respondents

Respondents are classified into two kinds of segments - income segmentation and age segmentation, for the purpose of present study.
Income Segmentation

Respondents are divided into four categories based upon monthly income of the family. The classification is as follows.

I Segment - up to Rs.3000
II Segment - Between Rs.3001 - 6000
III Segment - Between Rs.6001 - 9000
IV Segment - Above Rs.9000

Table 1.4 shows the frequency distribution of households among the four income groups.

TABLE 1-4
FREQUENCY DISTRIBUTION OF INCOME SEGMENTATION

<table>
<thead>
<tr>
<th>Monthly Income (Rs.)</th>
<th>Segment</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3000</td>
<td>I</td>
<td>206</td>
<td>41.2</td>
</tr>
<tr>
<td>Between 3001 - 6000</td>
<td>II</td>
<td>151</td>
<td>30.2</td>
</tr>
<tr>
<td>Between 6001 - 9000</td>
<td>III</td>
<td>94</td>
<td>18.8</td>
</tr>
<tr>
<td>Above 9000</td>
<td>IV</td>
<td>49</td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>500</td>
<td>100.00</td>
</tr>
</tbody>
</table>

From the table (1.4), it is clear that out of the total 500 respondents, 206 (41.2%) fall in the first income segment, 151 (30.2%) in the second segment, 94 (18.8%) in the third segment and 49 (9.8%) fall in the fourth income segment.
SEGMENTED RESPONDENTS
INCOME

Up to 3000 (I) 41.2%

3001-6000 (II) 30.2%

Above 9000 (IV) 9.8%

6001-9000 (III) 18.8%
**Age Segmentation**

Respondents are classified on the basis of the age of family head

I Segment - up to 30 years
II Segment - Between 31 - 40 years
III Segment - Between 41 - 50 Years
IV Segment - Above 50 Years

The above categories and frequency of respondents in each category are shown in table 1.5.

**TABLE 1-5**

**FREQUENCY DISTRIBUTION OF AGE SEGMENTATION**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Segment</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 30 years</td>
<td>I</td>
<td>124</td>
<td>24.8</td>
</tr>
<tr>
<td>Between 31 - 40 Years</td>
<td>II</td>
<td>176</td>
<td>35.2</td>
</tr>
<tr>
<td>Between 41 - 50 Years</td>
<td>III</td>
<td>131</td>
<td>26.2</td>
</tr>
<tr>
<td>Above 50 Years</td>
<td>IV</td>
<td>69</td>
<td>13.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>500</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The table (1.5) shows that out of the total 500 respondents, 124 (24.8%) are from the first age segment, 176 (35.2%) are from the second segment, 131 (26.2%) are from the third segment and 69 (13.8%) are from the fourth age segment.
SEGMENTED RESPONDENTS
AGE

31-40 yrs (II) 35.2%

Upto 30 yrs (I) 24.8%

Above 50 yrs (IV) 13.8%

41-50 yrs (III) 26.2%
Consumers of the Dairy Products in the Study

The nature and purpose of the four dairy products included in the study, differ. All the households may not purchase all these four products. Some may not purchase any of the products at all. A household which does not purchase any one of the products may not help us to answer the questionnaire. So the households which purchase at least one of the four dairy products, alone were selected as respondents. Thus, all the 500 respondents, who purchase at least one of the four dairy products, became the consumers for the present study.

Data Collection

The data were collected from the selected respondents through pre-tested questionnaire, personal interviews and observation techniques. The questionnaire was of structured and non-disguised type. To develop a list of information items for framing the questionnaire, a review was made on existing literature and some of the marketing consultants were approached. A preliminary draft of the questionnaire was prepared and a pilot study was conducted on 50 respondents. This helped in improving up on the quality of questionnaire and also gave an indication as to the kind of responses that would be forthcoming. With some modifications, inclusions and exclusions a final questionnaire was developed.

Attempts were made to contact both husband and wife together, and get joint response to the questionnaire. In case it was not possible to obtain a joint response from both the parties, it was ensured that at least one of them or any other elder member of the family has been interviewed. In case of non-response or non co-operation from a household chosen on random sampling, a substitute household in the same area was selected for interviewing.
The Questionnaire and Analysis

The questionnaire has been divided into five sections. The first section relates to the residential status of the households and the second section deals with the household details, such as income of the family, age of the family head, etc. In the third section, questions relating to the consumer motivation, preferences and purchasing patterns are included. Fourth section concentrates on consumer brand and store selections. Fifth section deals with the role of family members and peer groups in the purchasing behaviour of consumers (households).

The questions included are close ended by offering multiple choice. Some of the questions required ratings or selecting alternatives, by the respondents. The responses of the households have been presented in all the tables in terms of both the numbers and percentages. Figures in tables within parenthesis represent percentages while those without parenthesis are simple frequencies.

The weighted average scores were calculated at suitable places where Likert Five Point Scale was used to measure the importance or significance attached to the responses (ratings) of the respondents. The responses were allotted based on their importance, weights of five, four, three, two and one. On the basis of frequency of ratings for each factor, weighted average scores for each factor were computed as below:

Weighted average of scores on a factor,

\[
W = \frac{1}{\Sigma W} \Sigma WfW
\]

where, \( W \) is the weight given to a factor and \( FW \) is the number of respondents, who attached weight \( W \) to the factor.
Chapter Design

The study has been organised into seven chapters. After the introduction and methodology of the study in the first chapter, a review of literature on the previous studies has been presented in the second chapter.

The third chapter concentrates on consumer motivation for purchasing dairy products.

The fourth chapter examines the consumer preferences and patterns of purchasing the dairy products.

The fifth chapter identifies the influencing factors on brand and store selections.

The sixth chapter studies the role of family as well as peer groups on the purchasing behaviour of consumers.

The seventh chapter comprises summary and conclusions of the study.
REFERENCES


